REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
MASONIC MEDICAL RESEARCH LABORATORY

AS OF December 31, 2023

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: October 9, 2024

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November 1, 2024

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32632, dated April 9, 2024 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Masonic Medical Research Laboratory. The Fund's home office is located at 2150 Bleeker Street, Utica, New York 13501.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Fund should contract with a licensed bank or trust company or an SIPC-registered brokerage to serve as the custodian for the Fund's securities. (See item 3E of this report)

The Fund should adopt an Investment Policy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the IPS's risk, return, and time horizon objectives. (See item 4A of this report)

The Investment Policy Statement should be approved by the Board of Directors. (See item 4A of this report)

The Fund should review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A of this report)

The Fund's board of directors, or a committee thereof, should review the activities of the Fund at least annually and note the same in the minutes. (See item 4B of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department" or "DFS") examination and assessment of the Segregated Gift Annuity Fund of the Masonic Medical Research Laboratory (the "Fund") through which the Masonic Medical Research Laboratory (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2018. This examination covers the period from January 1, 2019 through December 31, 2023. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2023 but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the Corporation or Fund, in relation to their annuity activities, could have better adhered to statutory standards and guidance or practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2023 to determine whether the Fund's filed 2023 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner also reviewed the corrective actions taken by the Fund with respect to the recommendations contained in the prior report on examination. The results of such review are contained in item 7 of this report.

3. DESCRIPTION OF FUND

A. History

The Masonic Medical Research Laboratory was chartered in 1947 and is organized for the purpose of improving the health and quality of life for all. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 2007. The Superintendent of Financial Services granted to the Corporation a Charitable Annuity Society special permit on December 11, 2014.

B. Structure

The Fund is overseen by the Corporation's board of directors. All operations related to the issuance, maintenance, and settlement of annuity agreements are handled by the Fund with assistance from PG Calc.

C. Assets under the Board of Directors

As of the December 31, 2023 audited financial statement, the Corporation's Board of Directors oversaw an endowment comprising $4,634,364 in total assets. The Fund, as of December 31, 2023, held total admitted assets of $335,733.

D. Third-party Service Providers

NorthCape Wealth Management ("NorthCape") is the Fund's custodian and investment manager. PG Calc performs the administrative functions such as issuing quarterly payments, tax reporting and providing year end reports needed for audits and the annual statement. PG Calc also performs reserve calculations. The Fund prepares annual statements from reports provided by PG Calc and NorthCape Wealth Management.

E. Oversight Structure

The Fund's custodian is NorthCape Wealth Management. The examiner determined that NorthCape is not a licensed bank or trust company or an SIPC-registered brokerage and the Fund has acknowledged that fact.

The Fund should contract with a licensed bank or trust company or an SIPC-registered brokerage to serve as the custodian for the Fund's securities.

4. INVESTMENT REVIEW

A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to "pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio."

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt "an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution." New York Not-for-Profit Corporation Law § 552(f) provides that each "institution shall adopt a written investment policy setting forth guidelines on investments … and delegation of management and investment functions in accord with the standards of this article."

The examiner's review of the Fund's Investment Policy Statement revealed that it failed to reference the prudent investor standard as specified in Section 1110(b) of the New York Insurance Law.

The Fund should adopt an Investment Policy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the IPS's risk, return, and time horizon objectives.

The examiner's review of the Fund's Investment Policy Statement ("IPS") revealed that the board did not approve the IPS.

The Investment Policy Statement should be approved by the Board of Directors.

The Fund should review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

B. Monitoring

New York Estate Powers and Trust Law § 11-2.3(c)(1) requires trustees to exercise care, skill and caution in periodically reviewing the delegee's exercise of the delegated function and compliance with the scope and terms of the delegation.

New York Not-for-Profit Corporation Law § 554(a)(3) provides that, when delegating investment functions, an institution must monitor its agents' performance and compliance with the scope and terms of each's respective delegation. In so doing, the institution must use the care that an ordinarily prudent person in a like position would exercise under similar circumstances.

The examiner requested the minutes of the Board of Directors and all committees thereof for the examination period. The Fund failed to provide copies of the meetings of the board of trustees and all committees thereof pertaining to the Fund. The Corporation indicated that there are no specific board meetings related to the Fund and board meetings discuss the overall investments of the Corporation.

The Fund's Board of Directors, or a committee thereof, should review the activities of the Fund at least annually and note the same in the board minutes.

5. ASSETS AND LIABILITIES SUMMARY

The following summary table indicates the growth (decline) in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	December 31, 2018	December 31, 2023	Increase (Decrease)
Admitted assets	$321,295	$335,733	$ 14,438
Liabilities	$223,046	$189,758	$(33,288)
Minimum required fund balance	$ 22,305	$ 18,913	$ (3,392)
Excess fund balance (surplus)	98,249	127,062	28,813
Total annuity fund balance	$ 98,548	$145,975	$ 47,427
Total liabilities and annuity fund balance	$321,295	$335,733	$ 14,438

The increase in assets and annuity fund balance was due to investment gains and the transfer of beneficiary funds from deceased annuitants. The number of annuities and annuity payments remained steady over the examination period due to two deaths and two new contracts. There were 10 annuities with payment amounts of $20,207 as of December 31, 2018 and 10 annuities with annual payment amounts of $20,807 as of December 31, 2023. Liabilities decreased as a result of annuity terminations and the aging of annuitants.

The Fund's admitted assets, as of December 31, 2023, were invested mainly in equity securities (89.81%) and bonds (8.83%).

6. TREATMENT OF ANNUITANTS

The examiner reviewed a sample of annuity files to determine whether the annuitants were treated fairly and in accordance with the provisions of the annuity agreements. The examination also consisted of a review of the various controls involved, a check of the accuracy of the computations and the tracing of accounting data to the books of account.

Based upon the sample reviewed, no significant findings were noted.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

Item	Description
A	The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of investments and note such approval in its board minutes. According to the Fund's response to request for its board minutes, there are no specific board meetings related to the Fund and all board meetings discuss investments of the Institute overall.
B	The examiner recommends that the Fund strengthen the diversification of its investment holdings by investing the Fund's assets in investments from other issuers. If the trustee has determined that it is in the interests of the beneficiaries to concentrate its invested assets in Invesco, then it should memorialize the reasons for that determination in terms of the Investment Strategy Statement's (ISS) risk, return, and time horizon parameters. The Department no longer provides specific guidance on investment diversification.
C	The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract. During the examination period, the Fund obtained reliable documentary evidence that supports such information terminating an annuity contract.
D	The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement. During the examination period, the Fund prepared its filed annual statements in accordance with the instructions for completing the New York Segregated Gift Annuity Fund Annual Statement.

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

Item	Description	Page No(s).
A	The Fund should contract with a licensed bank or trust company or an SIPC-registered brokerage to serve as the custodian for the Fund's securities.	4
B	The Fund should adopt an Investment Policy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the IPS's risk, return, and time horizon objectives.	5
C	The Investment Policy Statement should be approved by the Board of Directors..	5
D	The Fund should review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	5
E	The Fund's board of directors, or a committee thereof, should review the activities of the Fund at least annually and note the same in the minutes.	6

Respectfully submitted,

/s/
Adelia Gbadamosi
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

ADELIA GBADAMOSI, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Adelia Gbadamosi

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32632

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **ADRIENNE A. HARRIS**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

ADELIA GBADAMOSI

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE MASONIC MEDICAL RESEARCH LABORATORY

and to make a report to me in writing of the condition of said

FUND

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 9th day of April, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU